

June 28, 2018

VIA EMAIL (AlisoCanyonOH@cpuc.ca.gov)

California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco, California 94102

**Re: I.17-02-002 Southern California Publicly Owned Utilities Informal
Feedback on Energy Division's Updated Proposed Phase I Scenarios.**

Dear Energy Division:

In accordance with the June 15, 2018 Administrative Law Judge's Ruling Requesting Informal Feedback on Energy Division's Updated Proposed Phase I Scenarios ("ALJ Ruling"), the Southern California Publicly Owned Utilities ("SCPOU") respectfully submit these informal comments on the Updated Proposal. SCPOU's comments are presented in the sequence in which topics arise in the Updated Proposal.

Assumed Aliso Canyon Withdrawal Protocol.

For its hydraulic modeling of the Southern California Gas Company ("SoCalGas") system, the Energy Division states that its "key analysis task" for will be "the determination of the minimum level of gas in underground storage needed to maintain reliability of both [the electric and natural gas] energy systems and to maintain just and reasonable energy rates."¹ The Energy Division also states that in performing its hydraulic modeling, "preference is given to operations of non-Aliso storage facilities to determine the minimum need for gas storage inventory at Aliso Canyon."² The non-Aliso storage facilities on the SoCalGas system are Playa Del Rey, La Goleta, and Honor Rancho. As observed in the Updated Proposal, all three are limited in their ability to support peak gas loads in the Los Angeles Basin.³

A pre-condition for non-Aliso storage facilities to provide support for peak gas loads in the Los Angeles Basin is for gas to be injected into storage to achieve high inventory and associated withdrawal levels. In Advice Letter 5275-A, SoCalGas proposed a modification of the Aliso Canyon Withdrawal Protocol to permit raising inventory levels at La Goleta and Honor Rancho to preserve withdrawal deliverability at the fields.

Currently, withdrawals at Aliso Canyon are extraordinarily restricted so that withdrawals from Aliso Canyon may be made only as a "last resort" under circumstances described as "A" or "B" in the currently effective November 2, 2017 Aliso Canyon Withdrawal Protocol:

¹ Updated Proposal, p. 6.

² *Ibid.*

³ *Ibid.*, pp. 12-13.

A. The following three conditions exist:

(1) SoCalGas has taken all appropriate actions it deems available and necessary to meet demand and to avoid curtailment of electric load and/or gas curtailments to core and noncore, non-electric generation customers. Such actions include the use of operational and emergency flow orders and coordination with Balancing Authorities to limit and/or reduce demand in effected areas; and

(2) To avoid curtailments of electric load, the CAISO and/or LADWP, in coordination with SoCalGas, have activated their appropriate capacity emergency plans based on the existing and forecast conditions; and

(3) There remains an imminent risk that curtailments of electric load will occur without additional gas supply.

B. There is an imminent and identifiable risk of gas curtailments created by an emergency condition that would impact public health and safety or result in curtailments of electric load that could be mitigated by withdrawals from Aliso Canyon. Such risk could arise due to emergencies on the gas pipeline system or because conditions require additional gas supply otherwise unavailable. Under such circumstances, when reliability is at risk and curtailment is imminent, SoCalGas may, at its sole discretion, execute a withdrawal from Aliso Canyon.⁴

On April 20, 2018, SoCalGas proposed in its Advice Letter No. 5275-A that the November 2, 2017 Aliso Canyon Withdrawal Protocol be modified to allow SoCalGas to utilize Aliso Canyon withdrawals to build inventory levels and associated withdrawal capacity at the non-Aliso storage fields:

The Commission should modify the Aliso Canyon Withdrawal Protocol to allow the System Operator to utilize Aliso Canyon withdrawals without curtailing customers to maintain and build inventory levels and associated withdrawal capacity at the other storage fields. In its March 2, 2018 letter to the Commission, SoCalGas requested the ability to immediately begin using Aliso Canyon to manage gas storage inventory and preserve withdrawal deliverability at SoCalGas' non-Aliso storage fields. During this time SoCalGas operated Aliso Canyon in response to below

⁴ Aliso Canyon Withdrawal Protocol, http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/News_Room/News_and_Updates/11.2Protocol%20PUBLIC%20UTILITIES%20COMMISSION.PDF, p. 2 (November 2, 2017).

average cold temperatures in accordance with the withdrawal protocol as acknowledged by the Commission in its letter dated March 3, 2018. The Commission should revise the Aliso Canyon Withdrawal Protocol to allow SoCalGas to use Aliso Canyon as a source of supply, as necessary this summer, to increase injection at the other fields and maintain inventory levels and associated withdrawal capacity at the other storage fields.⁵

In Resolution G-3540, the Commission denied SoCalGas's request in Advice Letter 5275-A to increase the allowed inventory at Aliso, and the Commission also denied SoCalGas's request to modify the Aliso Canyon Withdrawal Protocol.⁶ In denying the request to increase the allowable inventory at Aliso, the Commission stated that the increase in the allowable inventory at Aliso Canyon "is outside the scope of this Resolution and needs further examination in upcoming technical assessments and reliability reports, subject to Public Utilities Code 715."⁷ By contrast, the Commission denied the request to modify the Withdrawal Protocol by saying that "SoCalGas' request to modify the withdrawal protocol is outside the scope of this Resolution"⁸ without giving any indication about whether SoCalGas's request would be considered elsewhere.

For purposes of the Updated Proposal, it would be helpful for the Energy Division to specify the Aliso Canyon Withdrawal Protocol that will be assumed for the purposes of hydraulic modeling. More specifically, it would be helpful to know whether SoCalGas's proposal in Advice Letter No. 5275-A will be addressed by the Commission.

The discussion of flowing gas supplies at the SoCalGas receipt points should be modified to better conform to SoCalGas Rule No. 30 terminology.

The discussion about flowing gas supplies at SoCalGas receipt points in the Updated Proposal (at 13-14) should be better conformed to the terminology actually used by SoCalGas in its Rule No. 30 governing the transportation of customer-owned gas.

The discussion in the Updated Proposal appears to assume that there can be differences between "scheduled flowing supplies" and "actual deliveries." The Energy Division states: "In real-time operations, the scheduled flowing supplies may not be achievable, and differences between scheduled and actual deliveries must be taken into account."⁹ The Energy Division says that there is a "typical imbalance" between "actual total gas receipts" and "total scheduled

⁵ Advice Letter No. 5275-A, pp. 7-8 (April 20, 2018).

⁶ Resolution G-3540, p. 11 (May 10, 2018).

⁷ *Ibid.*

⁸ *Ibid.*

⁹ Updated Proposal, p. 13.

gas.”¹⁰ The Energy Division says that “total actual gas receipts [are] 10% less than total scheduled gas” reflecting “90% utilization of scheduled receipts....”¹¹

However, under SoCalGas Rule No. 30 as well as North American Energy Standards Board (“NAESB”) standards, “scheduled quantities” are the quantities that flow through a receipt point or a backbone transmission zone for a customer’s account. If SoCalGas schedules gas for a customer in the Timely or Evening nomination cycles for the next Gas Day, the scheduled quantity is what is deemed to be delivered to the customer absent intervening Intraday nominations or system capacity cuts. In the event of Intraday nominations, the scheduled quantity is adjusted by NAESB elapsed pro rata rules to be the quantity that is delivered to a customer’s account at a receipt point or through SoCalGas backbone transmission zone.¹²

Consequently, for example, under SoCalGas’s Rule No. 30 when shippers engage in “OFO trading,” they do not trade either “actual gas receipts” or “imbalances.” Instead, customers trade “scheduled quantities:”

1. Trading Scheduled Quantities*

- a. Customers may arrange to trade scheduled quantities. The trades are to be arranged outside of the EBB and communicated to the Utility via a trade form.
- b. Customers may trade scheduled quantities between End Use contracts only by adjusting scheduled quantities after Cycle 6 has been processed.¹³

When the Energy Division states that SoCalGas experiences “90% utilization of scheduled receipts,” it appears that the Energy Division has in mind 90% utilization of the maximum operating capacity for each SoCalGas receipt point or backbone transmission zone. SoCalGas defines the “maximum operating capacity” as:

The facility design or contractual limitation to deliver gas into the Utility’s system adjusted for operational constraints (i.e. maintenance, localized restrictions, and upstream delivery pressures) as determined each day.¹⁴

The Energy Division observes that the “90% utilization” factor is “related to conservative scheduling by gas shippers, driven by the potential for penalties imposed during a high

¹⁰ *Ibid*, pp. 13-14.

¹¹ *Ibid*, p. 14.

¹² Rule 30.D.3

¹³ Rule No. 30.N, OFO Trading.

¹⁴ Rule 30.D.3.

operational flow order.”¹⁵ The observation appears to be more appropriate if the 90% utilization factor is understood to be utilization of SoCalGas’s maximum operating capacity.

The assumed receipt point or backbone transmission zone utilization factor should be clarified.

In addition to better conforming the discussion about “flowing gas supplies at the receipt points” to SoCalGas terminology utilized in Rule No. 30, the Energy Division should clarify the utilization factor that it will assume for purposes of hydraulic modeling. As discussed above, the “utilization factor” is presumably the percentage of the maximum operating capacity at SoCalGas receipt points or through backbone transmission zones.

At one point the Energy Division discusses a “90% utilization” factor,¹⁶ while elsewhere Energy Division says “the hydraulic modeling should consider” a “deficit of 5% deficit relative to the maximum available scheduling capacity.”¹⁷ SCPOU recommends a careful examination of SoCalGas operating data to determine the percentage of SoCalGas maximum operating capacity that the Energy Division can reasonably assume to be utilized.

Assumptions about SoCalGas planned and unplanned pipeline outages.

The Energy Division says that in performing its hydraulic modeling feasibility assessment, the Energy Division “must consider planned and unplanned pipeline and storage outages.”¹⁸ The Energy Division says it will assume outages consistent with a “historical record of these outages.”

For the Feasibility Assessment, we propose that each gas pipeline system model (one model per month of the year) be subject to reductions in flowing supply and reductions in storage operations that are consistent with expectations from historical the historical record of these outages.¹⁹

It is unclear that the historical records of SoCalGas would be an adequate guide for the future. A prime example of a potential problem is presented by the current extended outage on SoCalGas Line 235(2). As the Energy Division noted in its draft Summer 2018 Supplemental Report on Aliso Canyon Working Gas Inventory, Production Capacity, Injection Capacity, and Well Availability for Reliability under Public Utilities Code Section 715 (“Summer 2018 Section 715 Report”), SoCalGas Line 235-2 ruptured on October 1, 2017..²⁰ Line 235(2) remains out of service nearly nine months after the rupture.

¹⁵ Updated Proposal, p. 14.

¹⁶ *Ibid*, p. 14.

¹⁷ *Ibid*.

¹⁸ Updated Report, p. 18.

¹⁹ Updated Report, p. 18.

²⁰ Draft Summer 2018 Supplemental Report Section 715, p. 4.

Nine months is an inordinate amount of time for a damaged pipeline to be out of service. As the Environmental Defense Fund (“EDF”) noted in its June 25, 2018 informal comment on the draft Summer 2018 Section 715 Report,²¹ on June 7, 2018, Columbia Gas Transmission LLC’s Leach Xpress pipeline in Marshall County, West Virginia, exploded. The Leach XPress pipeline is a 36-inch diameter pipeline capable of transporting approximately 1.5 Bcf/d.²² Columbia Gas expects the Leach XPress Pipeline to resume service in July.²³ Thus, Columbia Gas will be restoring service on the Leach XPress Pipeline about a month after the explosion, while SoCalGas’s Line 235-2 remains out of service after nearly nine months.

The Pacific Gas and Electric Company (“PG&E”) indicates in its testimony in the currently pending Gas Transmission and Storage (“GT&S”) proceeding, A.17-11-009, that an unplanned outage on PG&E’s Line 300 would need “coverage for four days.”²⁴

In the absence of any information about the status of SoCalGas Line 235-2, it may become necessary to normalize historical outage data to account for a lengthy or even permanent outage on Line 232(2) as well as current or impending outages on other pipelines such as Lines 2000, 5000, and 2001.

Hydraulic modeling for thirty two scenarios.

Energy Division states that its hydraulic modeling will result in 32 scenarios.²⁵ Apparently, the Energy Division will run scenarios for the twelve months of 2019 for both normal and stressed operating conditions, resulting in a total of 24 scenarios. The Energy Division will also run scenarios for peak summer and peak winter months in 2024 for normal and stressed conditions (four scenarios), and the Energy Division will run scenarios for peak summer and winter months in 2029 (four more scenarios). The Updated Proposal is unclear about the rationale for running 24 scenarios for 2019 but only four scenarios for 2024 and four for 2029.

The Section 715 Report that will be the starting point for production cost modeling.

The Energy Division states that the starting point for its production cost modeling will be the “Section 715 Report.”²⁶ The Energy Division’s draft Summer 2018 Section 715 Report was

²¹ EDF Informal Comment on Draft Summer 2018 Section 715 Report, p. 2.

²² Reuters, Explosion on TransCanada’s Columbia Gas pipeline in West Virginia Contained, <https://www.reuters.com/article/us-pipeline-fire-westvirginia/transcanada-contains-west-virginia-natgas-pipeline-blast-no-injuries-idUSKCN1J3231> (June 7, 2018). See Marcellus Drilling News, Leach Xpress Pipeline Explodes in Marshall County, WV, <https://marcellusdrilling.com/2018/06/leach-xpress-pipeline-explodes-in-marshall-county-wv/> (June 8, 2018).

²³ NGI Daily Gas Price Index, Leach XPress Tentatively to Restart Next Month, <http://www.naturalgasintel.com/articles/114771-leach-xpress-service-tentatively-to-restart-next-month>, (June 19, 2018).

²⁴ PG&E, Chapter 11, Natural Gas Storage Strategy (Mel Christopher), p. 11-19 (November 17, 2017).

²⁵ Updated Proposal, p. 18.

²⁶ Updated Proposal, p. 23.

released on June 18, 2018, for informal comment by June 25, 2018.²⁷ It is reasonable to assume that the final Summer 2018 Section 715 Report will be released in July 2018.

It would be helpful for the Energy Division to clarify that the Summer 2018 Section 715 Report will be the starting point for the Energy Division's production cost modeling. The draft Summer 2018 Section 715 Report contains a number of important changes from the winter 2017-2018 Section 715 Report that was finalized on December 11, 2017.²⁸

The limitation of economic modeling to the impact of tighter gas supply on power generation in the California Independent System Operator balancing authority.

The Energy Division says it will focus its economic modeling on the California Independent System Operator ("CAISO") balancing authority.²⁹ However, there are two other balancing authorities within the SoCalGas service territory, the Los Angeles Department of Water and Power and the Imperial Irrigation District. It would be helpful for the Energy Division to explain why it proposes to limit its economic modeling to the CAISO balancing authority.

Selection of years to be modeled.

The Energy Division proposes to model scenarios for 2019, 2024, and 2029.³⁰ It is unclear that I.17-02-002 will be completed before the end of 2019. If the proceeding lasts long enough for actuals to be substituted for forecasts for some or all of the months of 2019, it would be helpful to know whether the Energy Division would adjust 2019 data and, correspondingly, adjust the 2024 and 2029 forecasts to accommodate the availability of actuals for some or all of the months of 2019.

²⁷ SCPOU received service of informal comments from EDF, County of Los Angeles, and Porter Ranch Neighborhood Council. No other parties served informal comments on SCPOU.

²⁸ See SCPOU Informal Comment on the Draft Summer 2018 Section 715 Report (June 22, 2018).

²⁹ Updated Report, p. 27.

³⁰ Updated Report, p. 7.

Conclusion.

SCPOU appreciates this opportunity to provide an informal comment on the Updated Report, and SCPOU looks forward to the July 31, 2018 workshop on the Updated Report. SCPOU also appreciates the Energy Division convening the workshop in Los Angeles.

Respectfully submitted,

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